

Changes in the Trade Policy Regime in Sri Lanka

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Sri Lanka has experienced a series of changes in its trade policy regime. The objective of this paper is to examine the changes of the Sri Lanka's trade policy regime since the independence in 1948. At independence, Sri Lanka had relatively low import duties which were imposed mainly for revenue reasons and applied to a wide range of goods. However, from 1960 onwards, along with the inward-oriented development strategy based on the import substitution policy, both tariff and non-tariff barriers were extensively used to control imports for balance of payment reasons, as well as to protect domestic economic activities and industrial enterprises. These trade policies had adverse implications on overall economic growth of the country. The first break through towards trade liberalization in Sri Lanka began in 1977, when the country embarked on a series of economic reforms with the aim of switching from inward-oriented policies to outward-oriented policies. Trade policy reform was the key element of this policy package. Since then Sri Lanka's external trade policy continued to focus on achieving a liberalized trade regime by rationalizing and simplifying the tariff structure, while progressively reducing quantitative restrictions. At the same time, measures were taken to liberalize the rigidities related to the exchange rate, finance and banking to provide the macroeconomic background for the success of trade liberalization.

Key words: Inward-orientation; Outward-orientation; Tariff and Non-tariff barriers; Trade liberalization

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